PROVINCE OF SASKATCHEWAN

2010

ANNUAL REPORT

EXTENDED HEALTH CARE PLAN FOR RETIRED EMPLOYEES

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Letters of Transmittal

His Honour, The Honourable Dr. Gordon L. Barnhart
Lieutenant Governor of the Province of Saskatchewan

May it Please Your Honour:

I have the honour to transmit herewith the ninth Annual Report of the Extended Health Care Plan for Retired Employees for the year ending December 31, 2010.

Ken Krawetz
Minister of Finance

The Honourable Ken Krawetz
Minister of Finance

Sir:

On behalf of the Joint Board of Trustees, I have the honour to transmit herewith the ninth Annual Report of the Extended Health Care Plan for Retired Employees for the year ending December 31, 2010.

Brian Smith
Ministry of Finance (PEBA)

Extended Health Care Plan For Retired Employees

Introduction

The Extended Health Care Plan for Retired Employees was established on January 15, 2002.

The Fund is used to account for the transactions of the Extended Health Care Plan for Retired Employees which provides health care benefits to eligible retired employees of the Government of Saskatchewan.

As at December 31, 2010, participation in the Plan has been approved by the Lieutenant Governor in Council for all government organizations whose employees are employees of the Government of Saskatchewan as defined under *The Public Service Act* and who are members of PS/GE SGEU or CUPE 600.

Joint Board of Trustees

Brian Smith
Ministry of Finance (PEBA)

Kevin Wilson
Ministry of Health

Tracey Smith
Ministry of Health

Don Zerr
Public Service Commission

Brian Gyoerick
Public Service Commission

Nathan Hagen
Public Service Commission

Saskatchewan Government and General Employees' Union (SGEU):

Tim Earing

Jack Duvall

Kirk Hogarth

Barry Nowoselsky

Canadian Union of Public Employees (CUPE), Local No. 600:

Jacalyn Luterbach

Joe Murrell

Participating Employers

The following employers participate in the Extended Health Care Plan for Retired Employees:

With respect to individuals who are, or who immediately prior to the termination of their employment were, members of the Saskatchewan Government and General Employees Union (SGEU):

Board of Arbitration under *The Surface Rights Acquisition and Compensation Act* (The)
Children's Advocate (Office of the)
Enterprise Saskatchewan
Farm Land Security Board
Horned Cattle Fund
Information and Privacy Commissioner (Office of the)
Innovation Saskatchewan
Ombudsman (Office of the)
Prairie Diagnostic Services Inc.
Saskatchewan Archives Board
Saskatchewan Milk Marketing Board
Saskatchewan Municipal Board
Technical Safety Authority of Saskatchewan
The Government of Saskatchewan with respect to members of the Public Service of Saskatchewan as defined under *The Public Service Act, 1998*

With respect to individuals who are, or who immediately prior to the termination of their employment were, members of the Canadian Union of Public Employees (CUPE), Local No. 600:

The Government of Saskatchewan with respect to members of the Public Service of Saskatchewan as defined under *The Public Service Act, 1998.*

Administration

The Public Employees Benefits Agency has established a fund pursuant to *The Financial Administration Act, 1993* for the purpose of providing benefits under the Plan. A Joint Board of Trustees, comprised of an equal number of management and union representatives, has been established and is responsible for reviewing the ongoing operations of the Plan.

Group Medical Services provides insured extended health coverage to eligible retirees.

The Plan pays a premium subsidy to Group Medical Services on behalf of PS/GE SGEU retirees. The Plan's risk is limited to the payment of the monthly premium subsidy as follows under the two year contract effective January 1, 2010:

Single	$14.25 per month
Couple	$28.50 per month
Family	$35.65 per month

Funding

Effective October 1, 2002 funding for the Plan was established at a rate of .25% of straight time annual payroll. For the period December 1, 2004 to November 30, 2005, the Government and PS/GE SGEU decided to divert funding to the PS/GE SGEU Benefit Plans' Surplus Fund. This amounted to $1,013,682.

Benefits

All PS/GE SGEU employees meeting the Definition of a Retiree are eligible to enroll in plan.

Definition of Retiree:

A bargaining unit employee, and/or surviving spouse, who on or after October 1, 2000:

a) ceases to be employed in the bargaining unit;

b) is age 50 or more when employment ceases;

c) if ceasing to be employed on or after January 1, 2002, has a minimum of eight years of service with departments, boards, commissions, and other agencies covered by Article 2 of the Collective Agreement;

d) is in receipt of, or eligible to receive a pension or deferred pension from the Saskatchewan Pension Annuity Fund or the Public Service Superannuation Fund;

e) was enrolled and participating in the Extended Health Plan for employees at the time of termination/retirement; and

f) was not terminated for cause.

Claims are paid on behalf of eligible family members and cover certain health and vision care benefits.

Management's Report

To the Members of the Legislative Assembly of Saskatchewan

As members of management of the Extended Health Care Plan for Retired Employees, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

We believe the Extended Health Care Plan for Retired Employees has a system of internal control adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with Canadian generally accepted accounting principles.

A Joint Board of Trustees, comprised of an equal number of management and union representatives, has been established and is responsible for reviewing the ongoing operations of the Plan.

We enclose the financial statements of the Extended Health Care Plan for Retired Employees for the year ended December 31, 2010 and the Provincial Auditor's report on these financial statements.

Brian Smith
Assistant Deputy Minister
Public Employees Benefits Agency

Perry Bahr
Director, Benefit Programs
Public Employees Benefits Agency

Kathy Deck, CGA
Director, Financial Services
Public Employees Benefits Agency

Regina, Saskatchewan
March 22, 2011

Extended Health Care Plan For Retired Employees

Financial Statements

Year Ended December 31, 2010

Independent Auditor's Report

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Extended Health Care Plan for Retired Employees, which comprise the statement of financial position as at December 31, 2010, and the statement of operations and net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

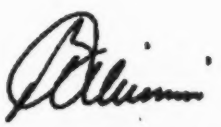
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Extended Health Care Plan for Retired Employees as at December 31, 2010, and the results of its operations, changes in its net assets, and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Regina, Saskatchewan
March 22, 2011

Brian Atkinson, FCA
Acting Provincial Auditor

Extended Health Care Plan For Retired Employees
Statement of Financial Position

Statement 1

As At December 31

	2010	2009
ASSETS		
Due from General Revenue Fund (Note 3)	$7,214,020	$6,225,816
Contributions receivable	98,204	97,728
Prepaid expenses	1,627	-
	7,313,851	6,323,544
LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	-	31,085
Net assets (Statement 2)	$7,313,851	$6,292,459

(See accompanying notes to the financial statements)

Extended Health Care Plan For Retired Employees
Statement of Operations and Net Assets

Statement 2

For The Year Ended December 31

	2010		2009
	Budget (Note 7)	Actual	Actual
REVENUES			
Contributions (Note 1)	$1,410,000	$1,326,700	$1,322,383
Interest Income (Notes 3 & 4)	44,900	41,301	29,513
	1,454,900	1,368,001	1,351,896
EXPENSES			
Insurance premium subsidy	316,600	311,461	283,171
Administration (Note 6)	46,005	35,148	32,089
	362,605	346,609	315,260
Surplus for the year	1,092,295	1,021,392	1,036,636
NET ASSETS, BEGINNING OF YEAR	6,292,459	6,292,459	5,255,823
NET ASSETS, END OF YEAR (Statement 1)	$7,384,754	$7,313,851	$6,292,459

(See accompanying notes to the financial statements)

Extended Health Care Plan for Retired Employees
Statement of Cash Flows

Statement 3

For The Year Ended December 31

	2010	2009
Cash flows from (used in) operating activities:		
Contributions received	$1,326,224	$1,322,153
Interest income received	41,301	46,508
Insurance premium subsidies paid	(339,067)	(255,565)
Administration expenses paid	(40,254)	(27,694)
Cash flows from operating activities	988,204	1,085,402
Cash flows from investing activities:		
Proceeds from disposal of investments	-	4,907,330
Cash flows from (used in) investing activities	-	4,907,330
Net increase in due from General Revenue Fund	988,204	5,992,732
DUE FROM GENERAL REVENUE FUND, BEGINNING OF YEAR	6,225,816	233,084
DUE FROM GENERAL REVENUE FUND, END OF YEAR	$7,214,020	$6,225,816

(See accompanying notes to the financial statements)

Extended Health Care Plan For Retired Employees
Notes to the Financial Statements

December 31, 2010

1. Description of the Plan

The Extended Health Care Plan for Retired Employees (Plan) was established on January 15, 2002 pursuant to subsection 64(2) of *The Financial Administration Act, 1993*. The Plan provides extended health care benefits to eligible retired employees of the Government of Saskatchewan who were members of either the Saskatchewan Government and General Employees' Union (PS/GE SGEU) or the Canadian Union of Public Employees', Local 600 (CUPE).

The Public Employees Benefits Agency (PEBA) manages the Plan under direction from the Joint Board of Trustees. The Joint Board of Trustees is made up of equal representation of union members and employers' representatives.

The Government through the Minister of Finance has entered into an agreement with an insurance company to provide eligible retirees with extended health coverage. The retirees are responsible to pay the insurance company the premiums set out in the agreement less a premium subsidy which is paid by the Plan. Currently, only retired PS/GE SGEU members are eligible for the premium subsidy from the Plan. The Plan's risk is limited to the payment of a monthly premium subsidy for eligible retired PS/GE SGEU members. The monthly premium subsidy for the year was $14.25 for a single policy, $28.50 for a couple policy and $35.65 for a family policy.

The Plan covers retirees of employers, whose participation in the Plan has been approved by the Lieutenant Governor in Council. The contribution rate, set out in the PS/GE SGEU collective bargaining agreement with the Government, is 0.25% of the regular pay of current PS/GE SGEU employees. Currently, the Plan receives no contributions for retired CUPE members and does not pay any premium subsidies for these retirees.

2. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles applicable to for-profit entities. The following accounting policies are considered significant.

a) Contributions

Contributions are billed at the end of each month. Contributions are recognized as revenue when due.

b) Interest Revenue

Interest is recognized as income when earned.

c) Financial Instruments

Held for trading financial assets and liabilities are measured at fair value. Changes in the fair value are recognized in the Statement of Operations and Net Assets. For due from General Revenue Fund and short-term investments, fair value is determined as cost plus accrued income,

which approximates market value. Receivables and other financial liabilities are measured at amortized cost. Due to their short-term nature, the amortized cost of these instruments approximates their fair value.

d) Future Accounting Policy Changes

In December 2009, the Public Sector Accounting Board issued an amendment to the introduction to the Public Sector Accounting (PSA) Handbook. Effective for fiscal years beginning on or after January 1, 2011, other government organizations (OGOs) are directed to PSA standards unless these standards do not meet their users' needs. The Plan has determined the PSA standards are appropriate, and, will be adopting the PSA standards for the fiscal year ending December 31, 2011.

3. Due from General Revenue Fund

The Plan's bank account is included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan. The Plan's earned interest is calculated and paid by the General Revenue Fund on a quarterly basis into the Plan's bank account using the Government's thirty day borrowing rate, and the Plan's average daily bank account balance. The Government's average thirty day borrowing rate in 2010 was 0.60% (2009 – 0.47%).

4. Short-Term Investments

No short-term investments were held as at December 31, 2010. Investments are purchased through the Treasury and Debt Management Branch of the Ministry of Finance and are subject to the Ministry's investment guidelines. The guidelines require that investments must meet a minimum investment standard of "R-1" rating, as rated by a recognized credit rating service.

5. Financial Risk Management

The nature of the Plan's operations results in a statement of financial position that consists primarily of financial instruments. The risks that arise are credit risk, market risk (consisting of interest rate risk) and liquidity risk.

Credit risk

Credit risk is the risk that one party does not pay funds owed to another party. The Plan's credit risk arises primarily from the following distinct sources:

	2010	2009
Due from General Revenue Fund	$7,214,020	$6,225,816
Contributions receivable	98,204	97,728
Prepaid expenses	1,627	-

The maximum credit risk to which the Plan is exposed is limited to the carrying value of the financial assets summarized above.

The credit risk for short-term investments is managed through a policy that requires investments to meet minimum investment standards as determined by a recognized credit rating agency.

The Plan is exposed to minimal credit risk from the potential non-payment of contributions as these are receivables from government agencies and were collected shortly after year end.

Market risk

Market risk represents the potential for loss from changes in the value of financial instruments. Values can be affected by changes in interest rates. The Plan is exposed to changes in interest rates on its short-term investments.

Liquidity risk

Liquidity risk is the risk that the Plan is unable to meet its financial obligations as they fall due. The Plan manages this risk by investing in financial assets with a very short term to maturity.

6. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Plan by virtue of common control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties"). Related party transactions with the Plan are in the normal course of operations and are recorded at the agreed upon exchange amounts charged by these organizations.

All contributions and contributions receivable are from related parties. Also, in 2010, PEBA charged the Plan $35,148 (2009 – $32,089) for administration expenses. Included in accounts payable and accrued liabilities is $0 (2009 – $3,479) due to PEBA. Prepaid expenses of $1,627 were due from PEBA as at December 31, 2010.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and notes thereto.

7. Budget

PEBA prepares the budget for approval by the Joint Board of Trustees.